The Good Transition Plan Strategy Toolkit

Climate Action Strategy Development Guidance for Banks

Climate Safe
Lending Network

About this toolkit

Who is it for? Anyone involved in creating a transition plan for their bank.

What does it contain? This toolkit contains eight modules, each with ideas and prompts to help you create a net zero transition plan.

How can I use it? Cut and paste the parts you find useful. It is not meant to be followed from start to finish.

The Good Transition Plan Strategy Toolkit

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Introduction

- What do we mean by a 'good transition plan'?
- What's in this toolkit for you?
- How to use The Good Transition Plan Strategy Toolkit

Introduction

Drawing upon the contributions of more than 100 bankers and industry experts from around the world, the Climate Safe Lending Network published *The Good Transition Plan* in October 2021 as a practical, actionable guide for banks to create effective climate transition plans. Since then, there have been numerous developments for how financial institutions should go about transition planning, including from the Glasgow Financial Alliance for Net Zero (GFANZ) which published its recommendations and guidance on financial institution net-zero plans in November 2022. A review of the transition planning landscape is provided in The Good Transition for Banks where you will find fresh perspectives and insights about how our thinking has evolved on transition planning over the past year.

To develop credible, effective transition plans, financial institutions need more than a framework or general guidance on what contents to include. In a time of rapid change and increased public scrutiny, banks can benefit from practical resources for engaging staff from across the institution in the planning process. Strategic planning involves more than putting ideas down on paper; it's an opportunity to candidly assess what is and isn't working, to think creatively about how to 'take the carbon out of credit', and to stretch the boundaries of what is possible.

Introduction

The Good Transition Plan Toolkit is designed as a practical resource (rather than a a comprehensive guide to everything which might need to go into a transition plan to be considered compliant), which includes:

- **Questions to stretch your thinking** about leadership ambition and explore new opportunities.
- **Guidance on how to have conversations about transition planning**, including choices that are available to banks and how you might frame these discussions.
- **Modules on the most salient topics** to be covered during the transition planning process.

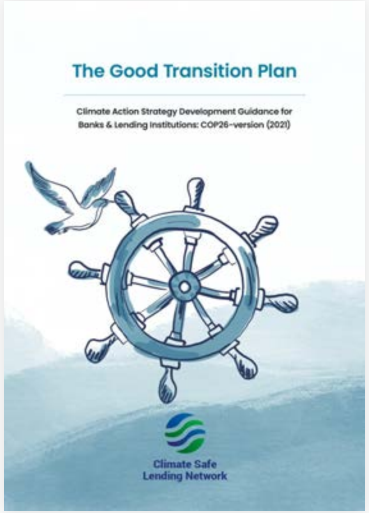
We encourage you to read through the toolkit in its entirety to familiarize yourself with the contents and resources provided. However, if you're pressed for time, you can focus on a particular module and refer back to subsequent modules later on.

Components of a transition plan

- Elements for inclusion in a transition plan
  (*The Good Transition Plan* and GFANZ net zero transition plan framework)
- Mapping GFANZ guidance to *The Good Transition Plan*

Components of a transition plan

The Good Transition Plan (October 2021) was co-created by bringing together a diverse range of stakeholder expectations and bankers' experience to form its recommendations. Amongst other sources it helped to inform the GFANZ recommendations on Financial Institution Transition Plans, whose framework we have adopted for this strategy toolkit.



Put GFANZ Framework (2022)

Foundations
Organization-wide net-zero objectives, targets, timelines, and priority approaches

Implementation strategy
Aligning business activities, products, services and policies with net-zero objectives and priorities

Engagement strategy
Communicating and collaborating with clients, portfolio companies, industry peers, civil society, and the public sector in support of net-zero objectives

Metrics and targets
Metrics and targets to assess and monitor progress towards net-zero objectives

Governance
Structures for oversight, incentivization, and supporting implementation of the net-zero transition plan

Mapping GFANZ guidance for financial institutions to CSLN's *The Good Transition Plan*

GFANZ Framework (2022)

Foundations
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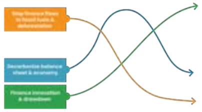
Climate Safe Lending Good Transition Plan (2021)

Net-zero & Paris-aligned targets
- Select and update scenarios to reflect a climate-safe world
- Anchor highest level ambitions in a strategy development process for reaching 2030
- Set clear accounting principles for 'negative emissions'



Stopping flows of finance to fossil fuels & deforestation

Decarbonising Balance Sheets & Economies

Financing Innovation & Drawdown

Agency & Broader influence
- Engage in peer-learning & collaboration
- Ensure consistency and reinforcement via all advocacy, lobbying and industry engagement
- Recognise the full extent of agency within a client relationship

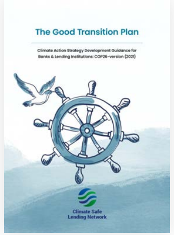
Measurement, Disclosure & Reporting
- Include the full extent of the bank's business
- Measure climate impacts and the real economy 'delta'
- Take data responsibility and continuously improve data quality
- Measure more than climate: incorporate full-spectrum sustainability into enhanced due diligence

Governance & Organisational Development
- Organise decision making for key climate policies
- Develop organisational structures that support climate plans
- Lock climate into strategy and purpose
- Adapt plans based upon updates to market developments, policies

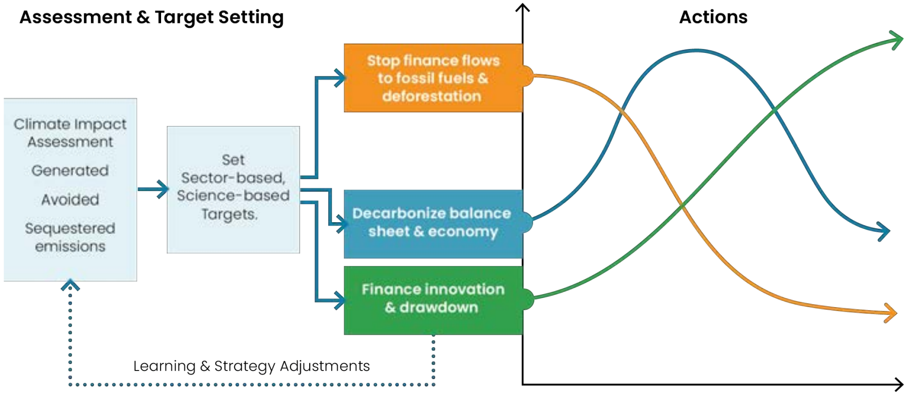
Before you start

- What is the pathway to ‘take the carbon out of credit’?
- Who should be involved – internally & externally?
- What level of compliance, scientific credibility, ambition or leadership are we seeking?

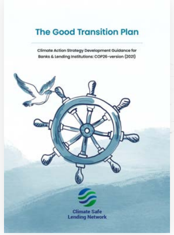
The three horizons of a *Good Transition Plan*



- The practical implementation aspects of a Good Transition Plan relate to the bank's actions which might have an impact in the short, medium or long term – corresponding to the first, second or third horizon.
- This framework, originally taken from [Taking the Carbon Out of Credit] (July 2020), focuses on the first horizon (policy implementation to phase out harmful activity), second horizon (decarbonizing clients and the wider economy), and third horizon (financial innovation for new climate solutions).
- The learning loop anticipates constant monitoring of the outcomes of these actions, and in turn, constant refinement, reflection or redesign of the core strategy within the Transition Plan. The learning loop adds agility so the plan can respond to positive innovations and/or negative shifts in the climate condition.

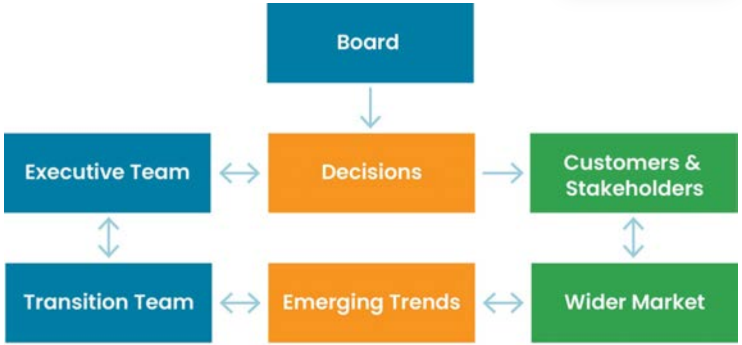


Creating the plan for the plan: before you start...



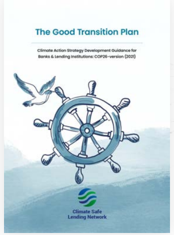
Key Steps for Pre-Planning:

- Determine who needs to be involved **internally & externally**. Who should contribute to decision making? Who is affected by these decisions? Who owns each decision?
- Plan the strategy development project and the governance process for approval/continuous review.
- Map the external & internal context for change.
- Identify the key risks, opportunities & impacts (external risks and opportunities).
- Identify the business activities and sectors where the most difference could be made, starting with quick wins.
- Consider **future compliance requirements** (**mandatory transition plans, disclosures,** etc.). How can this exercise be framed to add the most value to the organization and to the world beyond compliance?



Getting the conversation started:

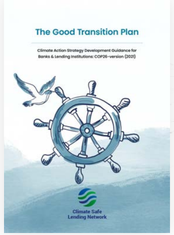
Watch this video of Climate Safe Lending Network Executive Director, James Vaccaro's presentation on The Transition Plan Landscape to kickstart a mapping of the external & internal context for change.



Creating the plan for the plan: before you start…

- The most important discussion that needs to take place is between banks and the full diversity of their stakeholders; this involves drawing upon multiple perspectives about where the bank could make the most difference.
- Since stakeholders might not all be familiar with the inner workings of a bank, there can sometimes be tension in hosting the dialogue. The Climate Safe Lending Network worked together with a leading global game designer to prepare a simulation role-play game based upon teams of banks setting net zero targets. It can be used by any group of people – whether employees, customers, partners, management, campaigners or board members.
- The Pledge delivers important insights for the whole group and can help to get you started on your organization’s transition planning journey. It is offered free here; however, we are happy to connect you to specialist facilitators.

Levels of ambition



What is our overall level of ambition for our transition plan?

Better than Before	Sufficient for the Science	Catalyse Systemic Leadership
Join NZBA & Race 2 Zero now. Increase investment in transition-enabling technologies/businesses.	1.5°C no overshoot with limited reliance on CDR. Net zero well before 2050 with clear sector plans.	Earliest net zero target with pathways that others can follow. Catalysing new climate solution finance markets.

Getting the conversation started:

- Where do we really want to lead?
- Where do we need to show we are doing enough?
- Where is it enough for us to comply and show we are moving in the right direction?

For more information on setting ambition levels, see *The Good Transition Plan* (pages 10-11).

The foundations

Choosing scenarios and setting goals.

Foundations
- 1) Objectives and priorities

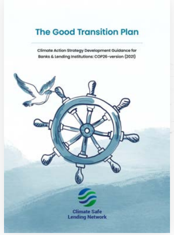
Implementation strategy
- 1) Products and services
- 2) Activities and decision-making
- 3) Policies and conditions

Engagement strategy
- 1) Clients and portfolio companies
- 2) Industry
- 3) Government and public sector

Metrics and targets
- 1) Metrics and targets

Governance
- 1) Roles, responsibilities, and remuneration
- 2) Skills and culture

Foundations: stretch goals

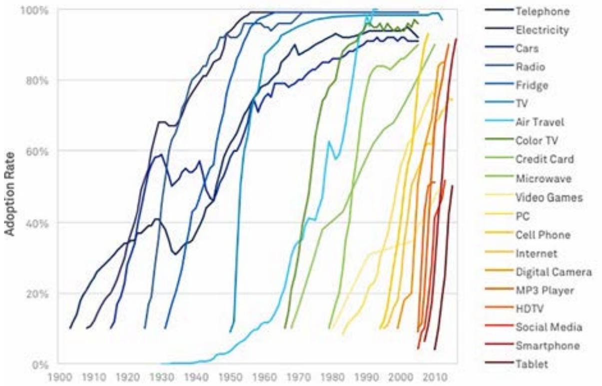


The assumptions we make about how the world will develop often shape how we act and, in turn, become self-fulfilling prophecies. The world can sometimes transform faster than we can imagine. If we were to imagine and lean into a stretch goal of accelerated transition, perhaps we could contribute to shaping desired outcomes.

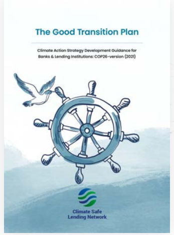
Getting the conversation started: How would we prepare and plan for a more rapid transition?

Easter morning 1900: 5th Ave, New York City. Spot the automobile.

Easter morning 1913: 5th Ave, New York City. Spot the horse.



Foundations: stretch goals



Goal seek: 2030

What would Net Zero by 2030 mean?

- Bank lending criteria / impact on profits/growth
- Growth in innovation/climate solutions
- Internal changes: new products, processes, capabilities, structure
- Government Policies
- Available technology/ approaches/ business models

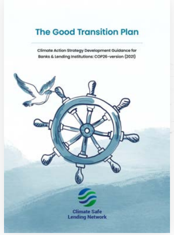
Key Steps for Setting Stretch Goals:

- Anchor target setting discussions based on the most ambitious pathway imaginable. (See these resources on innovation and transformation: Elkington, Roberts 2021, RethinkX, and Rapid Transition Alliance)
- Set negative emissions accounting policies/principles to reduce reliance on 'green-wishing' (i.e., 'complacent optimism').
- Determine what resources are needed to accomplish your goals as well as how you will track and evaluate progress. (See this resource for a step-by-step process for setting stretch goals)

Getting the conversation started:

- Could our commercial teams simulate what reaching net zero by 2030 would mean for us?
- What implications would that have?
- How could we deal with the problematic consequences in creative ways rather than dismissing the trajectory?
- How could we mitigate negative impacts?
- Which elements of the contributing strategies could we bring forward now?

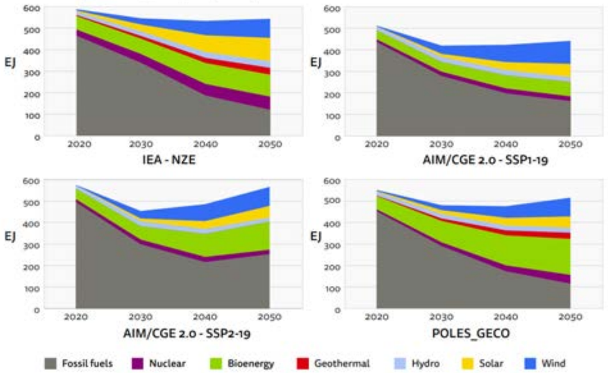
Foundations: scenario selection



Key Considerations for Scenario Selection:

- Some scenarios rely upon carbon dioxide removals, other solutions which are not yet proven (and may not be committed to be financed) or offset projects which may not be permanent or additional. To what extent are we reliant upon these strategies in our net zero path and what implications does that have for our reduction targets?
- How does our net-zero trajectory compare with national legislation? If no institution was to go further, then we would be hard-coding the current governmental trajectory (with a best case of 1.8°C if implemented in full). What is our 'fair share' of the extra lift and what impact does that have on our policy influencing strategy?
- If everyone picks their own 1.5°C scenario, the cumulative effect might exceed the remaining carbon budget by some distance. To avoid this, what is our fair share of the collective effort expressed as the trajectory we should aim for?

Figure 9: Changes in primary energy demand between 2020 and 2050 across all scenarios

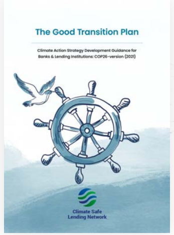


Scenarios vary widely. How do we determine our 'fair share' of what is sufficient and not just pick the least inconvenient pathway?

Need help getting started?

Check out these resources for scenario planning, ranging from basic guidance to more technical.

Where to aim when your country context is not on target?

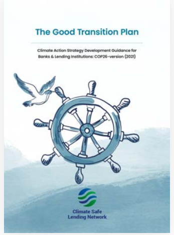


For countries who are not aligned with 1.5C-degree aligned net zero pathways and/or heavily dependent upon high-emitting sectors for revenue and employment, there is a greater strain on banks to align with science-based targets. Rather than work backwards from national targets, it may be beneficial to consider 'ground-up' strategies.

Creating ground-up strategies in banks operating in countries with misaligned targets:

- **Educate:** commit to a program of learning across the bank covering key opportunities in emerging sectors, technologies and sustainability approaches.
- **Demonstrate:** allocate risk appetite and encourage demonstration of new approaches, setting up projects as action-research prototypes.
- **Orchestrate:** work with other partner, finance providers and banks to crowd in others – sharing risk and expertise.
- **Advocate:** present insights to key stakeholders including policy-makers to spell out the potential for scaling up.
- **Liberate:** assign clear mandates to multi-disciplinary teams to freely develop new business development and innovative approaches to accelerating transition.
- **Predicate:** make contingent commitments based on what the bank WILL do on specific criteria met by the national policy frameworks (e.g. carbon prices, specific legislation and regulation).

Foundations: criteria and assurance?



Getting the conversation started:

- Which recognized bodies will help us to ensure that we maintain a solid scientific underpinning for our transition plan trajectory?
- What gaps will remain, such as for scope 3 emissions and absolute emissions disclosures?
- What levels of third-party assurance do we require and who could provide this?

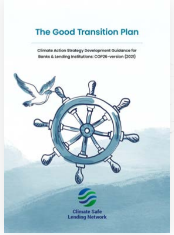
For more information, on foundational elements of preparing a transition plan, see *The Good Transition Plan* (page 12).

Implementation strategy

In this section we reflect on:

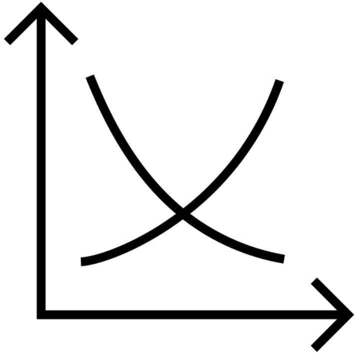
- Product development, propositions and pricing
- Client dialogue, decision-making, support and influence, conditions and covenants
- Policy implementation
- Accelerating innovation and climate solutions

Redesign the pricing model to reflect climate and ESG



Getting the conversation started:

- What is our current commercial proposition for clients and how do we incentivize via pricing?
- What have our commercial teams learned about the outcomes of our efforts, so far?
- What are the right thresholds/targets to set for companies? What variation of price is an effective incentive?
- What can we learn from the lessons, best practices and critiques of green/sustainability-linked bonds/loans?
- What needs to shift in our business model to help align the incentives for the bank and our clients to accelerate their transitions, incorporating broader sustainability factors?
- At what levels can greater growth of sustainability-aligned business start to outweigh income reductions from divestment of misaligned business activity?

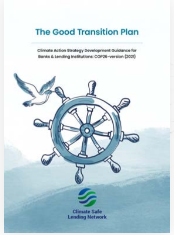


Pricing Model Outputs:

From this process, you'll want to come away with:

1. A 'product philosophy' and methodology to set baselines
2. An incentive/penalty structure.

Product development to support transition



Key steps for engaging in product development:

- Focus on solutions that are intended to overcome systemic barriers within product design (e.g., How can financial products help to solve real economy challenges?). Ensure the right ESG product governance structure is in place.
- Design simple standardized products to support replicable interventions (especially important for small and medium-sized enterprise (SME) clients).
- Build or integrate fintech tools/services that help clients improve their own data collection (e.g., in relation to their supply chains) – helping both the bank and clients with data quality (see these resources: [Green Digital Finance Alliance]() and [Digital for Good]()).

Getting the conversation started:

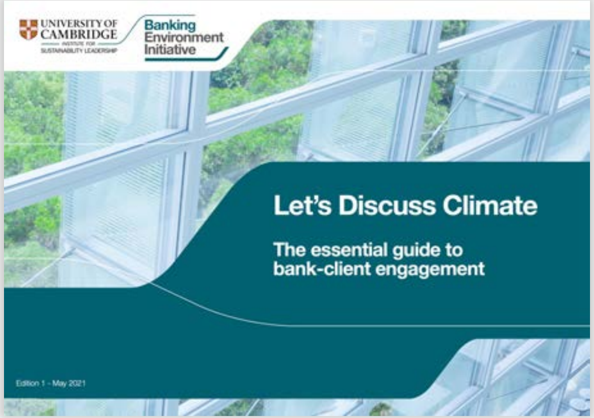
- To what extent do our current products meet our clients' needs within transition?
- What learning or progress have we made, so far?
- How have we clarified our clients' underlying needs?
- What can we learn from fintech solutions and innovation in the market?

Client transitions: analysis & proactive dialogue

Getting the conversation started:

- What level of analysis do we currently perform on client transition plans? (See this video on materiality)
- What level of alignment are our clients aiming for? How do they treat various forms of offsets in their targets and how should we recalibrate this in our own analysis? How do we approach clients with no alignment (e.g., SMEs)?
- What would it take for us to extend our analysis to full double-materiality and economy-wide contributions?
- How much more could be achieved by using the full extent of bank networks to connect clients to advisors, suppliers, partners, best-practice clients in the sector, and alternative finance providers (where necessary)?
- How can we integrate deeper analysis into credit assessment and review processes and more proactive dialogue into our client engagement?

Client transitions: proactive dialogue - references



Global Alliance for Banking on Values

UNIVERSITY OF CAMBRIDGE
INSTITUTE FOR SUSTAINABILITY LEADERSHIP

Proactive Dialogue Resources

- Let's Discuss Climate: The essential guide to bank-client engagemernt
- How we address the critical role of finance in the climate emergency

Client transitions: covenants & conditions

Key steps for developing client covenants & conditions:

- Brainstorm the potential contractual clauses that could be applied. Refer to resources, such as the Chancery Lane Project for ideas/inspiration.
- Seek input from your legal team to help refine the ideas and plan for implementation together with relevant relationship teams.
- Refer to *The Good Transition Plan* (pages 34-36) for guidance on developing client covenants.

Getting the conversation started:

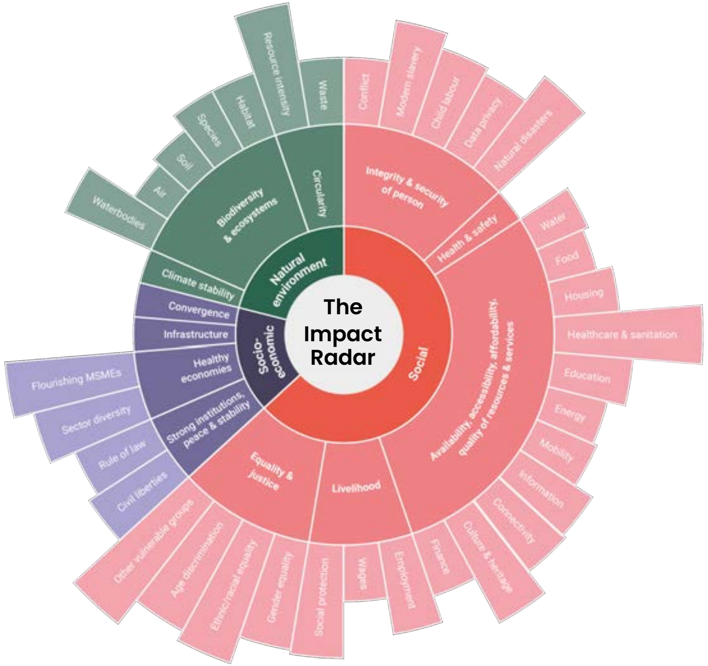
- What are all the current tensions between our current client terms & conditions, contractual clauses and our most stretching net-zero ambition?
- What would we most want to encourage our clients to do to **go further and faster** in their transition?

Sustainability across positive & negative impacts: tensions & synergies

Getting the conversation started:

- Within our portfolio, where are the greatest **tensions** & **synergies** between positive and negative impacts within our activity? For example, economic development may conflict with environmental protection; whereas nature-based solutions may be a positive synergy between nature, climate & water.
- For each tension, how might this be **resolved beyond compromise?** Brainstorm all the ways in which one of the negatively impacted factors may be recovered whilst maintaining positivity of impact on the other factors. For example: *Could economic development be achieved via environmentally beneficial means?*
- What changes to the management of tensions/synergies would make the most difference given our profile and portfolio? Where can we start to demonstrate the move towards holistic positive impact?

Resources for working with tensions & synergies:
Creative Brainstorming & Managing Polarisation



Investing in scalable solutions: driving endogenous growth

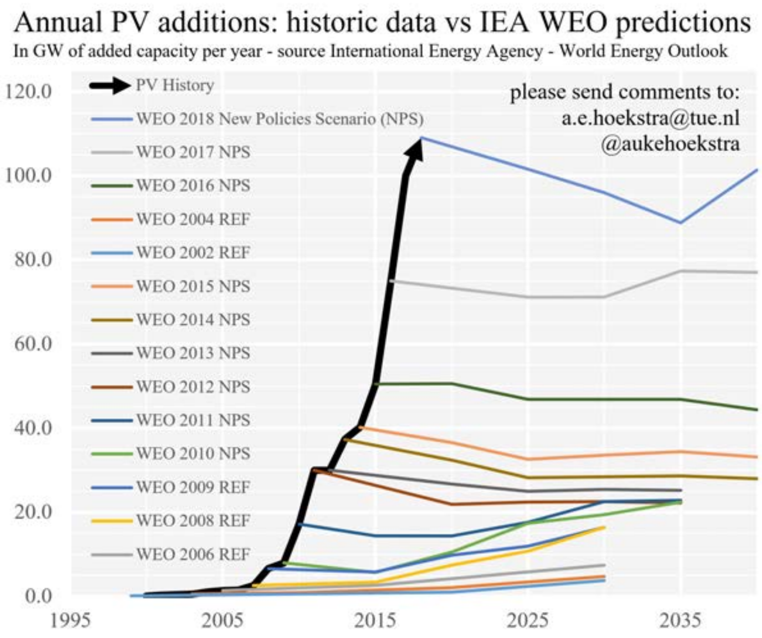
Tales of corporate disruption often recount stories that 'large companies didn't see the potential of innovation'. However, more often than not, it was the rejection of innovation for fear it would cannibalise existing business.

This was the real story of Kodak's demise, having invented the digital camera in the 1970s but was unwilling to invest in it. Their patent expired in 2007 and they filed for bankruptcy in 2012.

Getting the conversation started:

- Which business lines might we be nervous that net-zero might cannibalise?
- What opportunities for disruption might we be overlooking?

Investing in scalable solutions: driving endogenous growth



Often new disruptive innovation is under-estimated by analysis, which has a tendency to extrapolate the data of the past. For example, the IEA's predictions of solar energy were consistently under-estimated, and the price projections consistently over-estimated every year for over a decade.

What often gets overlooked are the 'endogenous growth' factors (Romer) whereby new technology becomes more familiar to everyone in the supply chain including customers, increasing demand and reducing cost.

Getting the conversation started:

- What assumptions are we making on other activities we are investing in?

Investing in scalable solutions: driving endogenous growth

Key steps for investing in scalable solutions:

1. Determine sustainability sectors to help drive endogenous growth, such as:
   - **Specific Risk Appetite allocation**
   - **Investment in Learning & Development**
   - **Specialised Innovation Teams**
   - **Access to Data/Technology**
   - **Marketing and Business Development**
2. Identify levels of growth that would compensate for the decline in business in legacy sectors.

Getting the conversation started:

- Which nascent or emerging sustainability innovations and sectors may have the most promise and relevance for us right now and in the future?
- What would it take to optimize our role in supercharging the growth of these sectors (e.g., risk appetite, learning & development, innovation teams, access to data, marketing, etc.?)
- Given what we have learned about disruptive innovation in the past, what are the realistic prospects for growth and levels of business in 5-10 years in each of these sectors?

First Horizon Bank policies

Activity Type	Environmental conditions	Additional Contextual Factors	Type of Finance
Coal, Oil, Gas... continuation/maintenance, expansion of existing, new expansion, or exploration. Deforestation-linked lending.	e.g., Arctic Drilling, Fracking, Tar Sands	Availability of alternatives, usage (e.g., metallurgic coal), path dependency on fossil fuel usage (lifetime cumulative emissions)	Direct (project) finance, corporate finance (company loans), financial intermediary facilities or facilitated transactions (e.g., underwriting)

Every bank has a set of policies which include sector-wide restrictions, minimum criteria and conditions. What is our current set of policies in the highest-impact areas?

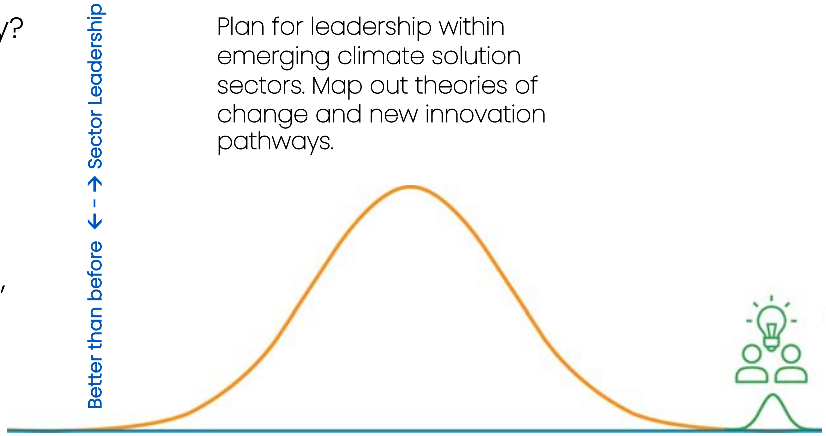
Getting the conversation started:

- Where do we have prohibition/restrictive policies in place? How do they compare to others (on oil & gas, coal)?
- How are our current financed emissions (client Scope 3 tCO2e) and facilitated emissions distributed across our portfolio? Therefore, which changes/restrictions in our policy would make the most difference?
- What are the timelines for making complementary changes (by when)?
- What needs to happen to make these changes (externally) and how can we engage/influence them?
- What needs to happen to make these changes (internally) and how can we implement plans accordingly?
- Which policies could be implemented in the near term (e.g., in the next 6 months)?

Third Horizon Innovation

Getting the conversation started:

- What is our current innovation landscape – what learning and progress have we made? Who is responsible and is their mandate clear? Is it aligned with our broader change agenda?
- What processes (Lean Startup, Corporate Innovation) constitute our approach to innovation? How effective are they?
- What is our analysis of the critical challenges based on technology, policy and markets?.
- **Where should we be focusing our innovation efforts?**
- Does our risk appetite enable investment in third horizon (e.g., nature-based carbon sequestration, regenerative agriculture, etc.) ventures? (See Chapter 6 of *The Good Transition Plan*)
- What current or potential partner/peer learning networks could support our development of new activities?



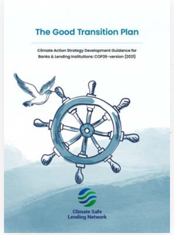
Engagement strategy

A bank's influence goes far beyond what it finances. How can a bank make an impact through standards and best practices and influence on public policy?

- Collaboration and training
- Aligning Climate Lobbying

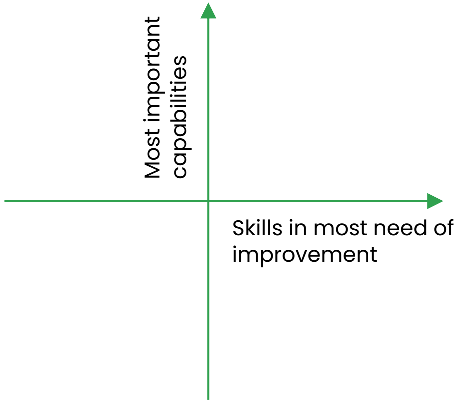
Climate Safe Lending Network

Engagement: sector-wide collaboration & training

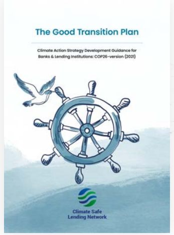


Getting the conversation started:

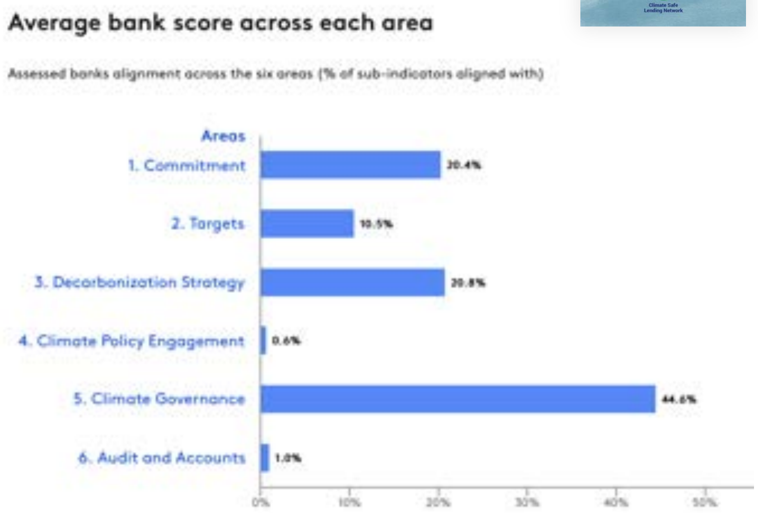
- Which capabilities are going to be most important for success in our transition strategy? Which areas do we need to improve the most to be successful?
- Business schools, universities, consultants and other training providers are offering sustainability courses for individuals in the finance sector. How can what's on offer be tailored to meet what is most relevant to our needs?
- Which **partners, co-funders, or complementary institutions** might be able to work with us to be able to accelerate our journey into a specific impact area? For example, blended finance from public finance or philanthropy, technical assistance providers?



Engagement: aligning climate lobbying



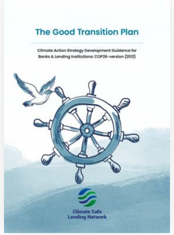
Ensure that direct and indirect lobbying and public-sector engagement advocate for policies that support or enable an accelerated and orderly transition to net zero, and do not contravene any net-zero commitments of the institution. Review portfolio companies' lobbying and advocacy efforts and utilize engagement levers to encourage consistency with the institution's own net-zero objectives. (Source: GFANZ, 2022)



Key considerations and resources for aligning climate lobbying:

- The GFANZ Call to Action recommends that financial institutions align their direct and indirect lobbying to support or enable an accelerated and orderly transition to net zero.
- However, in practice, the Transition Pathways Initiative and IIGCC found that amongst 27 major banks, there was almost no alignment on climate policy engagement.
- For more information on harnessing your institution's influence to drive net zero transition through lobbying (see Chapter 7 of *The Good Transition Plan*).

Engagement: aligning climate lobbying



Relevant issues for advocacy:

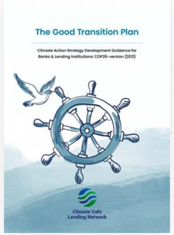
- Carbon Pricing
- Financial Regulation
- Supportive green investment mechanisms that could leverage further commitment to invest in sustainability
- Fossil fuel expansion / subsidies / capital / accelerated phase out
- Just Transition policies

Categories of Trade Associations, Memberships, etc.		
Aligned with climate goals	**Partly aligned/ Part-misaligned**	**Misaligned with climate goals**
…	…	…
Further, proactive support	Intensify influence to improve	Escalation or Exit

Getting the conversation started:

- For trade associations your organization is a member of, how would you categorise their level of alignment with climate goals? Which memberships/sponsorships need more intensive influence to improve? Are there some in need of escalation or exit?
- What are the clients in our most climate-sensitive sectors actively engaged in lobbying for/against? How can we integrate client lobbying positions into our credit assessment?
- Which policy positions need to be stated more clearly and publicly? For example: What level of carbon price do we support? What is our position on fossil fuel expansion/accelerated phase-out in each of our relevant geographies? Do we support further climate integration into financial regulations? What specific green policies could we call for that would enable us to implement further investment/action to accelerate transition?

Aligning climate lobbying
(synthetic case study)



Synthetic Case Study: A New Approach to Advocacy at ZeroBank

"We reviewed all of our direct advocacy positions and the positions taken by the associations which we belong to so that we can identify any contradictions to our climate strategy. It was an illuminating process to say the least.

"We'd started measuring our portfolio carbon and supported international efforts publicly, but we saw that one of the banking federations that was meant to be representing our voice was advocating for the opposite. We are taking steps to stop that from happening.

"We have joined collaborative processes with banks and other partners to organise how climate and environmental data can be collected and shared more efficiently.

"But it is our work on public policy that has been overhauled the most. When we looked at our decarbonisation targets, we realised we needed policy intervention in some countries to have any hope of meeting our goals. Rather than just 'signing-on' to generic calls for governments to take action, we worked with clients, experts, policy makers and other banks (including our local competitors) to develop proposals for how we could get these markets started.

"We knew that if we could shift the policy in small but meaningful ways we could kick-start the market in priority areas, like the deep-retrofit of properties.

"We also started to do some modelling on the carbon price given the vast range of values being placed on what it should be. Given our new strategy we concluded it should probably be around $120 per tonne of CO2 equivalent in today's money. We can give examples of what this means for the ability for us to finance certain types of businesses which is far more convincing than just saying we need a price on carbon."

(ZeroBank is a fictional bank used here to illustrate the actions that banks can take to implement a good transition plan)

Source: *The Good Transition Plan*, page 51.

Aligning climate lobbying

Resources to help ailgn policy engagement and advocacy

Ceres
Sustainability is the bottom line.

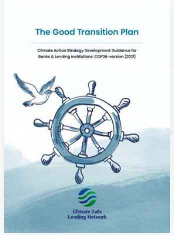
LobbyMap
AN INFLUENCEMAP PLATFORM

Responsible climate lobbying: The global standard

Metrics and targets

- Measuring portfolio transactions (full look through, KYCO2)
- Measuring the delta
- Reporting insights to drive change

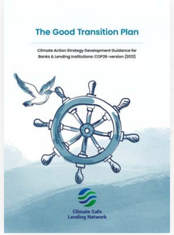
Metrics: measure portfolios & transactions



Key steps for measuring climate impact:

- Use client and external data to measure emissions using the Partnership for Carbon Accounting Financials (PCAF) Accounting and Reporting Standard, or similar, to account for all greenhouse gases (GHG) and scope 3 for clients with high emission-intensities.
- Calculate both **absolute emissions and emissions intensity** (per unit 'production' – e.g., megawatt/hour for energy, square meter, or occupants for property).
- Prepare measurements separately for (i) on balance sheet (portfolio), (ii) off balance sheet transactions, and (iii) funds, asset management, and private banking.
- For more information on measurement, see Chapter 2 of *The Good Transition Plan*

Metrics: analysing our entire climate supply-chain: full look-through

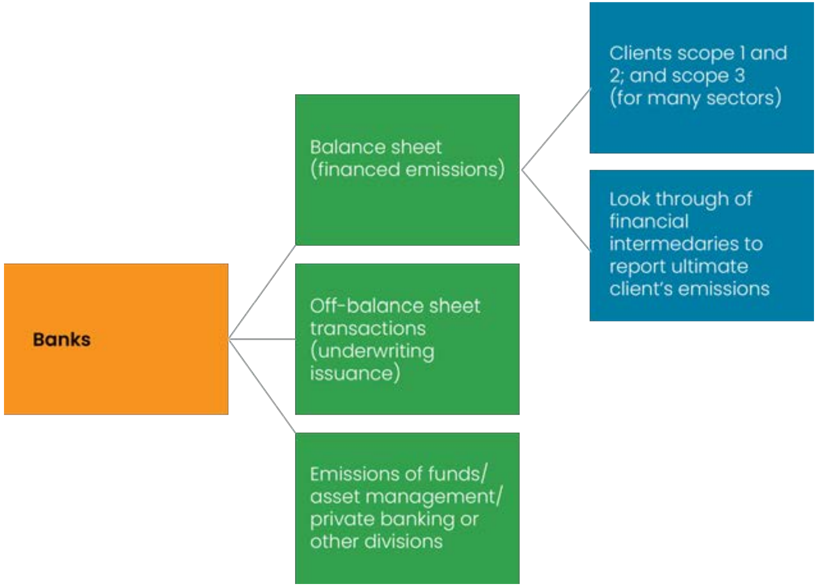


Key considerations for climate supply chain analysis:

- Prepare an analysis of the relevant 'layers' of finance, with a focus on high-emission sectors, to understand the carbon emissions throughout the supply chain.
- For more information, see Chapter 3 of *The Good Transition Plan*.

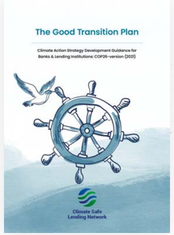
Getting the conversation started:

- Where are the majority of our 'hidden emissions'?
- What are the levers of change and influence we can exert to address these sources of climate emissions?



Source: Accounting for Sustainability

Metrics: overhaul data collection system to understand climate impacts (Know Your CO2 or “KYCO2”)



Getting the conversation started:

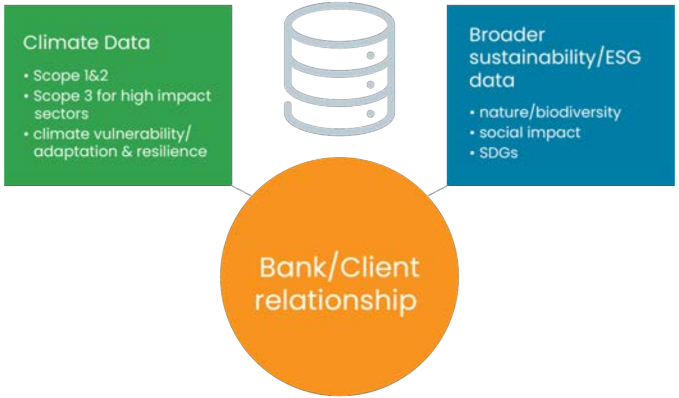
- How can we redesign data systems to collect data insights from clients and external sources to monitor climate impact through the supply chain (scope 1-3) and integrate them into broader sustainability/ESG metrics?
- How can we incorporate & integrate emerging taxonomies, Sustainable Development Goal (SDG) reporting, TCFD reports, financed emissions, etc.?
- How might we apply our learning from collaboration on fighting financial crime and money-laundering across the financial sector to climate data?
- **Preparation required: IT and Change Management Teams**

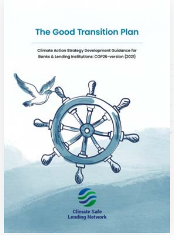
Better than before ← - → Sector Leadership

Full KYCO2
Integrated impact data model

Tracking available climate data
Positive Impact Finance

Full extent of TCFD reporting



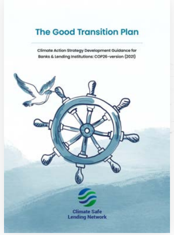


Metrics: measuring the ‘delta’

For Reflection:

- It is almost impossible to buy a replacement appliance that is less energy efficient.
- So, how should we measure the additionality of impact that has been achieved?
- Likewise, to what extent is our finance leading to change in the real economy (for example, retrofitting existing housing stock) compared to re-allocating assets?

Metrics: measuring the ‘delta’



Better than before ← - → Sector Leadership

Strategies to optimize the difference that can be made. Aim for the most effective (future oriented) change pathway.

Measuring the outcomes & extent of alignment that has been achieved (impact measurement)

Financing parts of the supply change that should make a positive difference

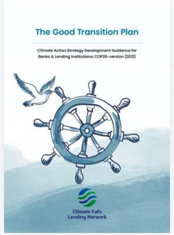
Client emissions (before) → Client emissions (after)

What is the additionality of the transition in the context of what is possible?

Is it now easier for the client to transition further or are they ‘locked-in’ to emissions for longer?

Key considerations for measuring the ‘delta’:

- Consider whether emission reductions are part of an end-state sustainable transition or are path dependent upon future emissions that may be difficult to reduce further.
- Analyse and share insights with clients on how are they performing relative to:
  - average for the sector
  - best-in-class/today’s best practice
  - the most effective future-oriented transition



Producing meaningful and digestible reporting insights to drive change

Getting the conversation started:

- How accessibly are our climate disclosures and strategies communicated now?
- Long reports might distract from the most important areas – what are the areas which matter most?
- What do our stakeholders believe matters most and how do we engage them meaningfully?
- More digestible and meaningful reporting enhances the usefulness of stakeholder engagement - what are the headlines of our plan that we need to emphasise?
- How can we create a modular transition plan that enables users to ‘drill down’ to the aspects they are most concerned with and help us to keep transition plans as up-to-date, living documents?
- Clearer insights can drive behavioral change - which insights could most accelerate our clients’ transitions?

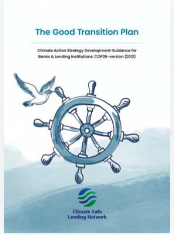
Governance & decision making

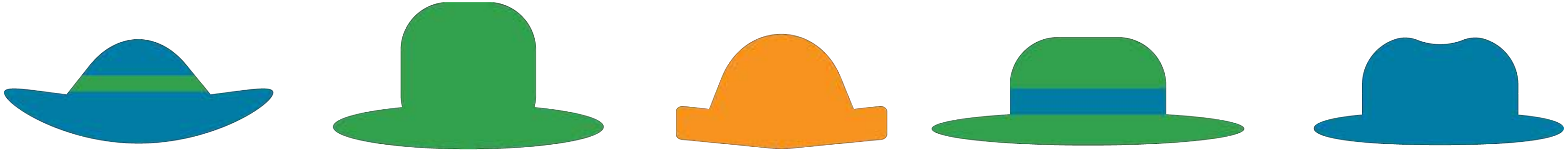
What are the roles that everyone needs to play?

What aspects of the transition plan are each person's to 'own'?

How does the organizational structure and decision-making cycle support the most effective transition trajectory?

Review organization structure and job roles within climate strategy





Policy influencers | Client Sounding-board Advisors | Product Structurers
Data Aggregators/Sense-makers | Relationship Brokers | Market Shapers

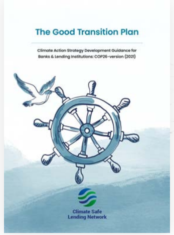
Key considerations for reviewing your organization structure:

- Assess how well staff are performing in different sectors across each role today (score out of 10).
- Assess how important these roles might be for driving transition in each sector (score out of 10).
- From the results, create a prioritized improvement plan for the areas which would make the most difference.

Getting the conversation started:

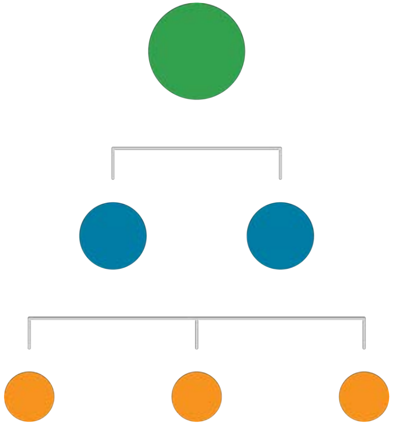
- What are all the roles currently within the repertoire of a relationship manager?
- How effective are these roles in supporting transition? What changes might make the most difference?
- What would it take to make the improvements we need?

Review organization structure and job roles within climate strategy



Getting the conversation started:

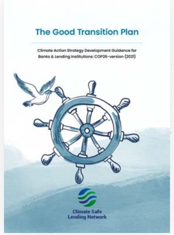
- Which part of the climate transition plan does each person ‘own responsibility for’?
- What changes to job roles, responsibilities, and rewards need to be made to support our plan?
- What is the accountability whether outcomes (not just outputs) are being achieved.?
- Which internal networks are activated to help share knowledge and catalyse action? How can they be supported further?
- Who is required to represent the full diversity of our stakeholders in an **external advisory group?**



Resources:

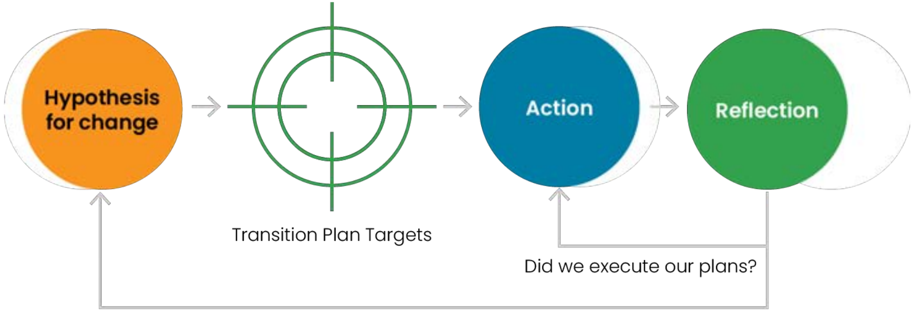
- See Chapter 1 of *The Good Transition Plan*
- Climate Safe Learning Lab
- Climate Safe Lending Fellowship

Governance & decision making: double loop learning and living-plans



Getting the conversation started:

- How can we review both our actions and our assumptions/mindsets to ensure that our transition plan is continuously updated and upgraded with emerging insights?
- How are we feeding in external developments, latest scientific understanding and our own learning to reflect on our plans?
- What are the implications for the organization if we applied stretch goals (e.g., shorter timelines)?
- How might we mitigate the negative impacts of accelerated timelines to help us to go further and faster?
- How do our interim targets and reported progress compare to peer financial institutions?



Resources:

- The Strategic Agility Project
- Double Loop Learning in Organizations

The Good Transition Plan Strategy Toolkit

We would be happy to receive any of your feedback
on this strategy toolkit to help improve future versions.

If you are interested in support in facilitating your transition
plan strategy development/review process, please contact us at

connect@climatesafelending.org

Climate Safe
Lending Network